# Industrial Technology Centre

A Special Operating Agency of Manitoba Industry, Trade and Mines

## 1999-2000 ANNUAL REPORT

**VISION** · To be recognized as the best resource for solving technical issues for the benefit of Manitoba.

**MISSION** · As a team and in partnership with our customers, we are committed to provide creative, technical solutions for the economic development of Manitoba.

**VALUES** · recognizing people as our most important asset

· expecting honesty, integrity and confidentiality from everyone

· supporting professional growth

· encouraging innovation from everyone

· open communication among all staff

· respect and kindness to everyone

**Industrial Technology Centre**

*A Special Operating Agency of Manitoba Industry, Trade and Mines*

**Cover**
Joe Bégin operates the fixed coordinate measuring machine to check the critical dimensions of a molded part.

**Inside Cover**
Qiang Xu uses an Instron machine to test a shock absorber.

## CONTENTS PAGE


Minister's Letter of Transmittal ..... 1
Deputy Minister's Letter of Transmittal ..... 2
Message from the Chief Operating Officer ..... 3
1. Agency Profile ..... 4
1.1 Background ..... 4
1.2 Vision, Mission and Goals ..... 4
1.3 Service Lines ..... 5
• Technical Information and Advisory Services ..... 5
• Engineering ..... 5
Mechanical Testing ..... 5
Calibration ..... 6
Inspection ..... 6
Product/Process Design and Development ..... 6
• Document Examination Services ..... 6
• Industrial Research Assistance Program (IRAP) ..... 7
1.4 Human Resources ..... 7
2. Performance Review ..... 9
2.1 Background ..... 9
2.2 Performance ..... 9
• Economic Development ..... 9
• Financial ..... 10
• Customer ..... 10
• Internal Business Processes ..... 10
• Learning and Growth ..... 11
2.3 SOA Effectiveness Evaluation ..... 11
2.4 Outlook ..... 12
2.5 Project Highlights ..... 13
3. Financial Results ..... 15
Highlights ($000s) ..... 15
Management Report ..... 17
Auditors' Report and Financial Statements ..... 18
Budget Analysis (Appendix 1) ..... 25
ITC Staff as at March 31, 2000 (Appendix 2) ..... 27
Advisory Board (Appendix 3) ..... 28

MINISTER OF
INDUSTRY, TRADE AND MINES

WINNIPEG, MANITOBA, CANADA
R3C 0V8

His Honour
The Honourable Peter Liba
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg, MB R3C 0V8

May It Please Your Honour:

I have the privilege of presenting the Annual Report of the Industrial Technology Centre for the year ended March 31, 2000.

Respectfully submitted,

Mary Ann Mihychuk
Minister

Manitoba 2000
Our Past, Our Future, Our Celebration.

Industrial Technology Centre
A Special Operating Agency of Manitoba Industry, Trade and Mines
Unit 12 - 1329 Niakwa Road East
Winnipeg, MB R2J 3T4
Phone: (204) 945-6000
Fax: (204) 945-1784
Toll free: 1-800-728-7933
www.itc.mb.ca

June 30, 2000

The Honourable MaryAnn Mihychuk
Minister Responsible for the
Industrial Technology Centre
Industry, Trade and Mines
Room 358 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister:

I am pleased to submit for your consideration the Annual Report of the Industrial Technology Centre (ITC) for the year ended March 31, 2000.

ITC has completed another successful year as a Special Operating Agency (SOA). Internal Audit and Consulting Services (IA&CS) conducted an effectiveness evaluation of ITC, and reported that since becoming an SOA, operational changes at ITC have been positive and continuous. ITC has continued to effectively deliver services to support its economic development mandate and increase its customer base.

ITC has, for the fourth successive year, achieved an operating surplus while continuing to reduce reliance on provincial support. Additional investments have been made in upgrading laboratory equipment and staff development. The commitment made to provide customers with the highest quality service has been further demonstrated by the implementation of an ISO 9001 Quality System.

On behalf of the Advisory Board, I would like to thank all staff for their hard work and dedication to ITC. Their efforts and commitment have enabled ITC to achieve continuous improvement and success as a Special Operating Agency.

Respectfully submitted,

Hugh Eliasson
Deputy Minister and Chairperson of the
Industrial Technology Centre Advisory Board

Industrial Technology Centre
A Special Operating Agency of Manitoba Industry, Trade and Mines
Unit 12 - 1329 Niakwa Road East
Winnipeg, MB R2J 3T4
Phone: (204) 945-6000
Fax: (204) 945-1784
Toll free: 1-800-728-7933
www.itc.mb.ca

June 30, 2000

On behalf of ITC staff, I am pleased to report that ITC has completed another very successful year as a Special Operating Agency (SOA).

ITC has many challenges and opportunities as we seek continuous improvement to meet the expectations of our customers. Our 'Y2K' team ensured uninterrupted services as we entered the new millennium. The successful implementation of an ISO 9001 Quality System was made possible by the hard work of all staff who established and implemented updated policies and procedures throughout ITC. Registration to ISO 9001 will demonstrate ITC's commitment to excellent customer service.

ITC continues to demonstrate sound financial performance, recording another operating surplus. Increased promotional activities have helped build fee for service revenues and broaden our customer base. We have invested in new technologies, in areas such as calibration and inspection, to support Manitoba industry. ITC has strengthened its role as an economic development agency by providing services to help Manitoba industry become more competitive.

The efforts, dedication and commitment of all staff have led to ITC's success. The strong support and guidance from our Advisory Board and the confidence of our customers will ensure continued growth.

My personal thanks to everyone!

Trevor Cornell

Trevor Cornell
Chief Operating Officer

### 1.1 Background

The Industrial Technology Centre (ITC) was established in 1979 and commenced operations as a Special Operating Agency (SOA) on April 1, 1996. Effective October 5, 1999, ITC operates under the authority of Industry, Trade and Mines (IT&M).

Under SOA status, ITC operates outside the Consolidated Fund and has the ability to retain revenues, enter into contracts, access loans for capital purchases, increase/decrease staffing levels and invest surplus funds. An Advisory Board, which includes private sector representatives, is chaired by the Deputy Minister of IT&M. The Board provides advice regarding ITC's strategic direction, structure, mandate, business practices and financial reporting requirements. Under the SOA model, ITC records its transactions in accordance with Generally Accepted Accounting Principles (GAAP).

ITC provides a wide range of technical services in support of technology-based economic development in Manitoba. ITC customers include Manitoba companies from various industrial sectors and federal, provincial and municipal government departments and agencies. ITC services are provided on a fee for service basis and under an Economic Development Contribution Agreement (EDCA). The EDCA is a performance contract with IT&M to support ITC's contribution to economic development activities in Manitoba. Clients vary in size from start-up entrepreneurs, through existing small companies, to large corporations seeking specific technical assistance. ITC also partners with the National Research Council of Canada (NRC) in delivery of the Industrial Research Assistance Program (IRAP) in Manitoba.

ITC's services are categorized as:

- Technical Information and Advisory Services
- Engineering
- Document Examination Services
- Industrial Research Assistance Program (IRAP).

The economic development support received from the Province is primarily used to support services such as technical information and advice, library and infrastructure in areas such as testing and product development, to support SMEs (small and medium-sized enterprises) which have limited R&D resources.

### 1.2 Vision, Mission and Goals

**ITC's vision** is "To be recognized as the best resource for solving technical issues for the benefit of Manitoba".

**ITC's mission** is "As a team and in partnership with our customers, we are committed to provide creative, technical solutions for the economic development of Manitoba".

**ITC's goals**, essential to fulfillment of its mission, are as follows:

- To help our clients anticipate, identify and apply appropriate technologies
- To support and contribute to economic development in Manitoba
- To sustain and enhance client relationships by providing high quality, valued technical services
- To achieve long-term economic viability
- To cultivate a work environment that promotes employee achievement, creativity, initiative and growth.

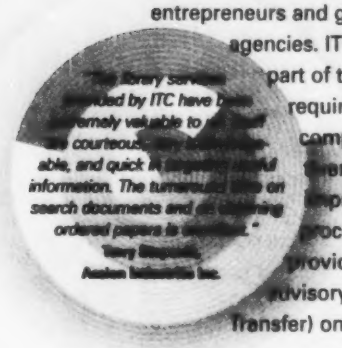
*"ITC has assisted us with specialized engineering expertise in testing and analysis. Services have always been provided in a prompt and professional manner. The marketplace in which we operate is becoming increasingly complex, so ITC's knowledge and expertise helps us to achieve the high level of excellence our clients expect."*

**Ken R. Drysdale, P. Eng. P.E., Accutech Engineering Inc.**

### 1.3 Service Lines

**Technical Information and Advisory Services**

ITC plays an important economic development role in Manitoba by providing technical information and advice to Manitoba industry, entrepreneurs and government departments and agencies. ITC is recognized as a critical part of the technical infrastructure required to help individuals and companies increase their competitiveness by developing new or improved products and processes. All ITC's technical staff provide technical information and advisory services (Technology Transfer) on an as-requested basis.


"The library services provided by ITC have been extremely valuable to us. Staff are courteous, knowledgeable, and quick in finding useful information. The turnaround time on search documents and obtaining ordered papers is excellent."
Tony Stanulis,
Avalon Industries Inc.

ITC helps clients to define and understand technical problems, to develop methods for solving technical problems and frequently assists in the implementation of solutions. In support of these activities, ITC uses its network of contacts and experts across Canada for technical information and advice which may not be available in Manitoba.

ITC has a technical library that provides crucial technical information and support to ITC staff and clients. The library houses a comprehensive collection of books, journals and reports in areas such as manufacturing, product and process engineering and materials. ITC assists clients in sourcing appropriate national and international standards and specifications to meet their individual needs. A wide range of industrial directories, guides and catalogues assist clients in sourcing components, equipment and services. ITC also has access to many worldwide databases, and has a public Internet access terminal for clients to source technical data.

**Customers include inventors, entrepreneurs, and companies in most manufacturing sectors in Manitoba. Easy access for the public, on-line links to international databases and skilled staff make ITC's library an invaluable resource.**

*ITC's worldwide database draws clients to our Technical Library. Betty Dearth helps clients locate the information they need regarding manufacturing, patents, suppliers and more.*

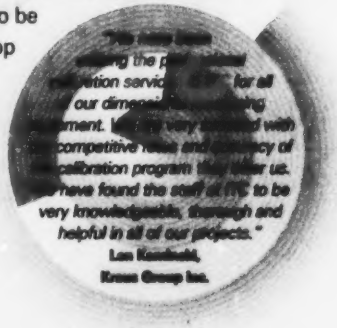
**Engineering**

**Mechanical Testing**

Mechanical Testing services are categorized as either Standard, Custom, or Noise and Vibration Analysis, defined as:

<u>Standard Testing:</u> Those tests which may be described as routine and undertaken (or priced) on a per sample basis. Tests include the measurement of such properties as hardness, impact resistance and strength. The Materials Testing Laboratory has been granted accreditation by the Standards Council of Canada (SCC) for specific tests, which is recognition of ITC's high standard of competence and credibility.

<u>Custom Testing:</u> This category relates to testing for which there may be no defined standard and includes any testing other than Standard Testing. In cooperation with the client, staff determine what properties or parameters are to be tested - then identify or develop appropriate procedures to


"We have found the staff at ITC to be very knowledgeable, thorough and helpful in all of our projects."
Len Kwiatkoski,
Kraus Group Inc.

meet requirements. Examples include:

- Testing products or materials when no industry standard exists
- Metallurgical failure analysis (determining how and why components failed in service)
- Testing components in their service environment.

**Noise and Vibration Analysis:** Vibration in machinery can be a symptom of future problems. It can prevent machines from doing their job, and in many cases may lead to equipment failure. High noise levels can be annoying, harmful to your health, and in some cases illegal. Examples include:

- Analysis of wind-induced vibration
- Building acoustics
- Monitoring noise and vibration at industrial sites for workplace safety
- Environmental noise - outdoor noise measurement and modelling.

**Calibration**

Calibration services include the dimensional calibration of gauge blocks, micrometers, calipers, thread wires, thread plugs, thread rings, plain ring and plug gauges, discs, pins, wires, snap gauges, length and height standards and dial gauges; and pressure gauges up to 10,000 psi. The Calibration Laboratory, using state of the art laser technology, has been in operation since October 1998, and complies with ISO Guide 25. Preparation for accreditation under the Calibration Laboratory Assessment Service (CLAS) by NRC is in progress.

**Inspection**

In early FY 1999/2000, ITC enhanced its inspection capabilities to include fixed and portable coordinate measuring (CMM). Inspection services include detailed physical inspection of parts, comparison of components to CAD drawings and specifications, reverse engineering of assemblies, and part to part comparisons. On-site inspection and measurements can be undertaken using a portable coordinate measuring machine (FaroArm).

*ITC's Linear Height Gauge, operated by Dale Kellington, is used in the inspection of machined parts and calibration of height gauges.*

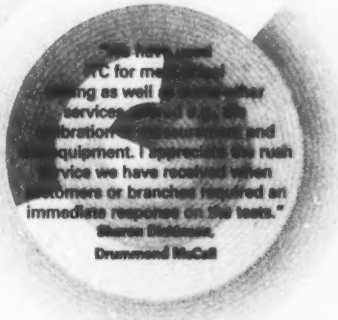
**Product/Process Design and Development**

Utilizing state of the art computing technology (Silicon Graphics workstations, and complex modelling and analytical software), ITC is able to undertake a wide range of design activities. This includes the 3D design of components and complex assemblies, structural analysis and modelling of parts for performance or failure potential. Prototypes are manufactured in ITC's machine shop, or if required, in cooperation with local machine shops.

**The market for engineering services is primarily manufacturing companies in Manitoba. Standards Council of Canada accreditation and rapid turnaround times are distinct competitive advantages.**

**Document Examination Services**

Document Examination Services provides security and quality assurance evaluations of instant scratch-off and break-open lottery tickets, customized research programs to assist lotteries in evaluating new products and technologies, and evaluations of questioned documents.




**Services are provided to lottery jurisdictions in Canada, the USA and overseas. ITC is the sole commercial Canadian laboratory providing these services.**

**Industrial Research Assistance Program (IRAP)**

ITC participates in the National Research Council's Industrial Research Assistance Program (IRAP) via a contribution agreement. The IRAP relationship has been in place for 18 years, and together, ITC and IRAP provide technical information and transfer appropriate technologies to Manitoba industry.

IRAP focuses on providing high quality technical advice and assistance to SMEs and, where appropriate, may help with funding. For several decades, IRAP has been the federal government's primary mechanism for the dissemination and transfer of technology and technical information. It is the strategic mix of advice and funding that contributes to the program's high level of success.

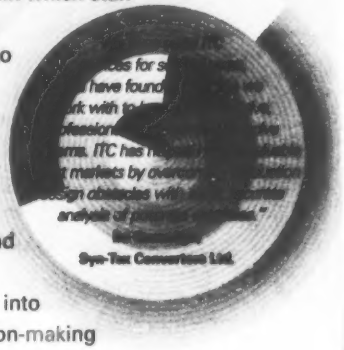
*Electronics expertise is essential to a growing number of companies. Kim Persad provides information on fibre optics for the Internet, electronics and more.*

IRAP is founded on a national network of about 250 Industrial Technology Advisors (ITAs) who provide technical advice and assistance. In Manitoba, seven ITAs are employed by ITC through an annual contribution agreement with NRC.

**IRAP services are provided to SMEs throughout Manitoba.**

### 1.4 Human Resources

ITC recognizes that staff are its most important asset, and that the key element in ensuring ITC successfully delivers on its mandate is the dedication and expertise of all staff. A corporate culture based upon innovation and service excellence has been created - within which staff are encouraged and supported in undertaking activities which lead to personal growth, promote teamwork and help ITC meet corporate goals. Open communications are fostered and everyone has the opportunity to input into the corporate decision-making process.



Staff have agreed upon a set of values to guide our actions, including:

- Recognizing people as our most important asset
- Expecting honesty, integrity and confidentiality
- Supporting professional growth
- Encouraging innovation
- Open communication
- Respect and kindness.

ITC has an environment where roles and responsibilities are defined, but within which staff are able to exercise judgement to more effectively contribute towards achieving corporate goals.

- **Initiative is both encouraged and expected - all staff are key to ITC's success.**
- **The successful implementation of an ISO 9001 Quality System demonstrated staff commitment and team effort.**

## 1. Agency Profile

ITC staff collectively bring the necessary technical and practical skills to provide clients with the high service level required. Staff who have a broader range of general skills support and complement those with highly specialized expertise.

A listing of staff including their professional designations is given in Appendix 2.

**"Continuous learning is a key element for long-term organizational growth."**

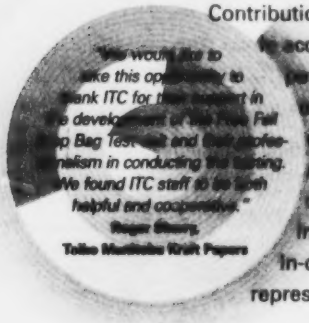
*"I appreciate the help with technical information and directions that we received from ITC. The engineer was extremely helpful in the design and development of a new battery powered curling ice scraper that we are now manufacturing and distributing worldwide."*
**A. N. Thompson,**
**Thompson Curling Supplies**

## 2.1 Background

ITC plays an important economic development role in Manitoba by providing both technical advice and assistance and fee for service activities to Manitoba industry, entrepreneurs and government departments and agencies. Fee for service projects can involve new product design, testing of new or existing products or manufacturing prototypes for testing. The successful introduction of new products or the resolution of a technical problem with an existing product helps companies generate sales and create jobs.

*Britta Doumbia-Haug is performing chemical contact testing.*

IT&M supports ITC for its economic development activities under the Economic Development Contribution Agreement (EDCA). In accordance with specified performance areas, customer and economic development impacts are measured using customer surveys and an Economic Impacts Study which focuses on in-depth interviews with representative clients.


"We would like to take this opportunity to thank ITC for their assistance in the development of the Fast Fall Drop Bag Test as well as their professionalism in conducting the testing. We found ITC staff to be both helpful and cooperative."
Roger Storey,
Tolko Manitoba Kraft Papers

### Performance Areas and Goals

**Economic Development**
- To support and contribute to economic development in Manitoba.

**Financial**
- To achieve long-term economic viability.

**Customer**
- To sustain and enhance client relationships by providing high quality, valued technical services.

**Internal Business Processes**
- To identify and apply appropriate technologies.

**Learning and Growth**
- To cultivate a work environment that promotes employee achievement, creativity, initiative and growth.

## 2.2 Performance

**Economic Development**

Overall, clients reported an impact on their objectives in 91% of instances. The following impacts have been compiled from client surveys:

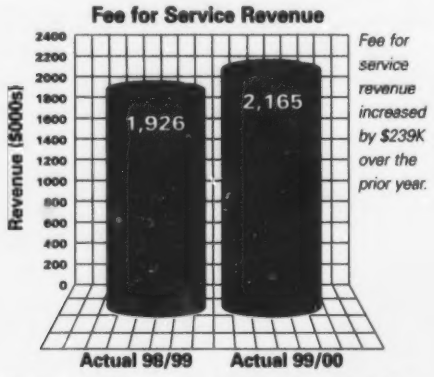
| Impact Measure | Result |
|---|---|
| Jobs | Total of 12 jobs created or saved (6 created and 6 saved – including 5 professional staff and 7 production staff) |
| [illegible] | Increased sales totalling $1.2 million |
| Cost Reduction | Reductions in operating costs of $271K |
| Investment | Totalled $1.2 million |
| Other Financial Impacts | Totalled $3.7 million, including improved quality, increased productivity, product and new technology development, increased profitability and improved export readiness |

These impacts have been compiled from results of surveys, which were based on a small sample of all ITC clients. No attempt has been made to extrapolate results for ITC's entire client base.

**ITC plays an important economic development role by providing technical services to Manitoba industry.**

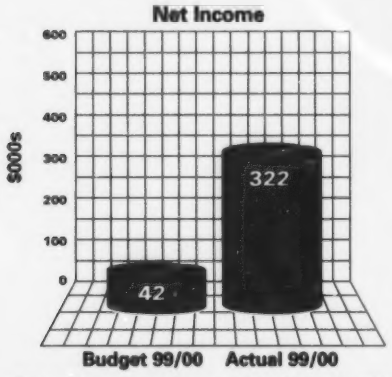
"As owner of a small foundry [illegible] testing or quality control facilities, I depend on ITC to provide this function. I am very pleased with the excellent professional services provided by ITC."
Ed McCormick,
McCormick Foundry

## Financial

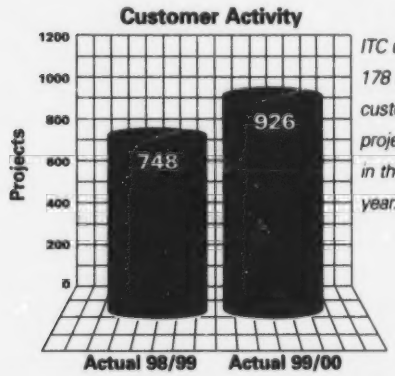



*Fee for service revenue increased by $239K over the prior year.*

- Fee for service revenue for the year ended March 31, 2000 is $2,165K compared to a budget of $1,887K, or a positive variance of $278K.




- ITC's net income for the year ended March 31, 2000 is $280K above budget.

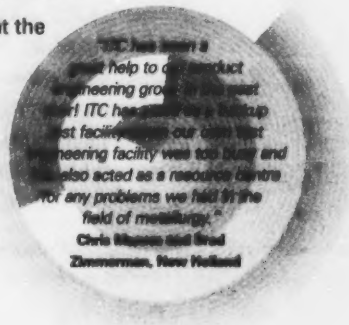



*ITC undertook 178 more customer projects than in the prior year.*

## Customer

A short survey (developed by a consultant) was also used to measure awareness of ITC and the services it provides - to determine what types of information were requested, and to determine the type of impact resulting from the information provided. Highlights are as follows:

- 100% responded that they were aware of ITC
- The information most frequently requested related to services provided by ITC
- 95% of respondents stated that delivery of services by ITC was in a timely fashion
- 95% of respondents stated that the information provided by ITC was useful
- The most significant benefit was an increase in quality for ITC customers.


"ITC has been a
great help to our product
engineering group. In the past
year ITC has provided a start-up
cost facility for our cast
engineering facility was too busy and
also acted as a resource centre
for any problems we had in the
field of metallurgy."
Chris Mason and Brad
Zimmerman, New Holland

ITC's customer base (excluding IRAP) is comprised of the following:

### Customer Profile

SMEs (small and medium-sized enterprises) include manufacturers with under 50 employees, consulting engineers, small service organizations and individual entrepreneurs.

## Internal Business Processes

ITC has designed and implemented an ISO 9001 Quality System, with registration anticipated early in the new fiscal year. Implementation of this quality system is expected to yield efficiencies in business processes and enhanced quality in service delivery to customers.

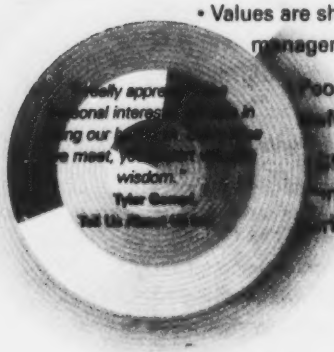
**Learning and Growth**

ITC has established a Work Environment Committee that has conducted an employee survey and identified opportunities for improvements in the work environment. This committee reports the following results, which were compiled from staff comments:

*"The results of the survey are very positive - staff feel good about the Centre, its services, operations and work environment. As an example, the first survey question, 'I would describe ITC as a good place to work', had an average response of 9 out of a possible maximum of 10. Additionally, staff made many constructive suggestions for improvements and outlined several significant achievements made by ITC since its transition to an SOA."*

Other notable comments were reported as follows:

- The services provided throughout ITC are valuable to clients; servicing clients is one of the most important priorities; the services we provide are of a high standard; ITC provides excellent customer service
- Management believes staff are its most important resource and key to the organization
- Values are shared among staff and management of ITC
- People feel appreciated as an ITC staff member
- Skills, knowledge and commitment are applied in performance of staff roles at ITC.



ITC continues to encourage and support staff training and development, congruent with corporate and personal goals. In order to match and develop employee skills to meet specific service needs, ITC has implemented a training plan as part of its ISO 9001 Quality System.

*Vibration can cause costly machinery breakdowns, and workplace noise can be annoying and harmful. Gerry Pozzobon conducts vibration and noise tests in ITC's fully equipped laboratory.*

## 2.3 SOA Effectiveness Evaluation

During FY 1999/2000, ITC underwent an effectiveness evaluation conducted by Internal Audit & Consulting Services (IA&CS).

This evaluation covered the first three years of ITC's operation as an SOA, and focused on five attributes of effectiveness, namely:

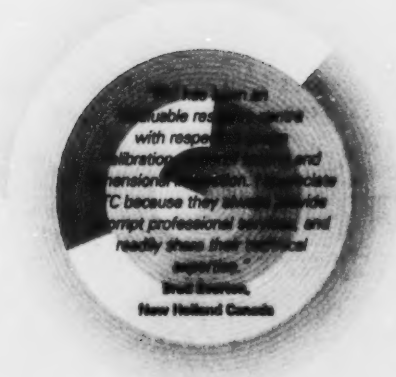
- **Management direction**
- **Achievement of intended results (including financial)**
- **Acceptance**
- **Responsiveness**
- **Working environment.**

The results of the evaluation were very positive in all areas. ITC management will address specific opportunities for improvement in FY 2000/2001.

IA&CS reports:

*"Since becoming an SOA, ITC operational changes have been positive and continuous. Management has fostered a smooth transition to SOA status by encouraging communication and staff participation throughout the process. The advantages of SOA status, including the flexibility to hire staff to meet client demand and the ability to carry forward surpluses to subsequent years, have enabled ITC to operate in a business-like manner, and sustain the provision of high quality services to its clients.*

*ITC's operating environment is difficult. There are considerable expectations placed on management and staff because of ITC's role as an economic development agency. In addition, ITC has a mandate to increase its fee for service revenues and to decrease the level of Provincial financial contributions. This dual mandate requires a balanced approach in virtually all management decisions. Within this difficult setting, ITC management and staff have achieved significant positive accomplishments in respect to both areas of responsibility."*




## 2.4 Outlook

ITC has completed four years of successful operation as an SOA. ITC has broadened its customer base, increased fee for service revenues and reduced reliance on Provincial funding. All internal operational and administrative procedures were reviewed and revised in preparation for ISO 9001 registration, and Y2K compliance was achieved well ahead of schedule.

ITC's continued strong financial performance has provided the opportunity to invest in new technologies that enhance services to a wide range of industries. The introduction of calibration and inspection services has improved and strengthened ITC's capabilities to help companies maintain the product quality necessary to meet international standards.

There are opportunities to establish new services and technologies in areas such as product visualization and rapid prototyping using advanced computer modelling techniques. To achieve its mandate, ITC must continue to reinvest in new technologies that will help Manitoba manufacturers achieve world-class competitiveness.

*Dave St. Jean uses an Instron to conduct tensile strength testing.*

ITC has a strong commitment to provide high quality, cost-effective technology-based services to support economic development in Manitoba. The ongoing review of all aspects of our service delivery and performance, and continuous improvement, will ensure that ITC meets or exceeds its future goals.

### 2.5 Project Highlights

A sample of the impact that ITC has made in the following industrial sectors during FY 1999/2000:

**Manufacturing**

• advised in the design of a truck axle lifting system • assisted in the design of a permanently affixed speed deterrent system • sourcing of vehicle crash simulation software/facilities • evaluated and improved the design of a prototype wheelchair • conducted durability and fatigue test of shock absorbers • diagnosed a braking design problem • calibration of artifacts so clients can maintain compliance with ISO and other quality systems • accredited testing of materials • dimensional inspection of machined parts • performed reverse engineering for a manufacturer of plastic components • performed analysis of engine vibration • finite element analysis of a heat treatment furnace • metallurgical analysis of a conveyor belt component • physical comparison of an axial fan blade to CAD model, using the FaroArm • solved a weld failure problem in snowplow grader blades • tested emergency release bus windows • used the FaroArm to define specifications for molded components

**Agriculture and Resource Industries**

• chemical analysis of drillings • failure analyis of an aluminum pipe • analysis of workplace vibration in a meat processing plant • failure analysis of a gear element from a pulp and paper mill • free fall drop tests of paper bags • finite element analysis of a large container • assisted client in investigating the nutraceutical properties of products based on plants native to Manitoba

• failure analysis of a broken blade in a turbine engine • calibration of threaded plugs, gauge blocks, wire sets and master rings • chemical analysis and materials testing • impact and charpy testing of welds • noise surveys for various clients and sound level measurement in an engine test cell

• evaluation of alternate Hydro spacer damper designs to prevent crystallization problems • performed noise analysis of a transformer substation in a residential area • weld evaluations • calibration of pressure gauges • torque deflection and axial shear strength tests • developed a data acquisition system for monitoring conductor vibration in the field

**Transportation**

• designed and implemented an automated tensile test system which upgraded an existing machine • undertook calibration projects for Manitoba's transportation companies that are maintaining ISO registration • calibration of calipers, specialized master rings, plain and threaded rings, and plug gauges

## Highlights ($000s)

**Reliance on the Province of Manitoba was reduced from FY 1998/1999 to 1999/2000. At the same time ITC achieved an operating surplus of $322.**

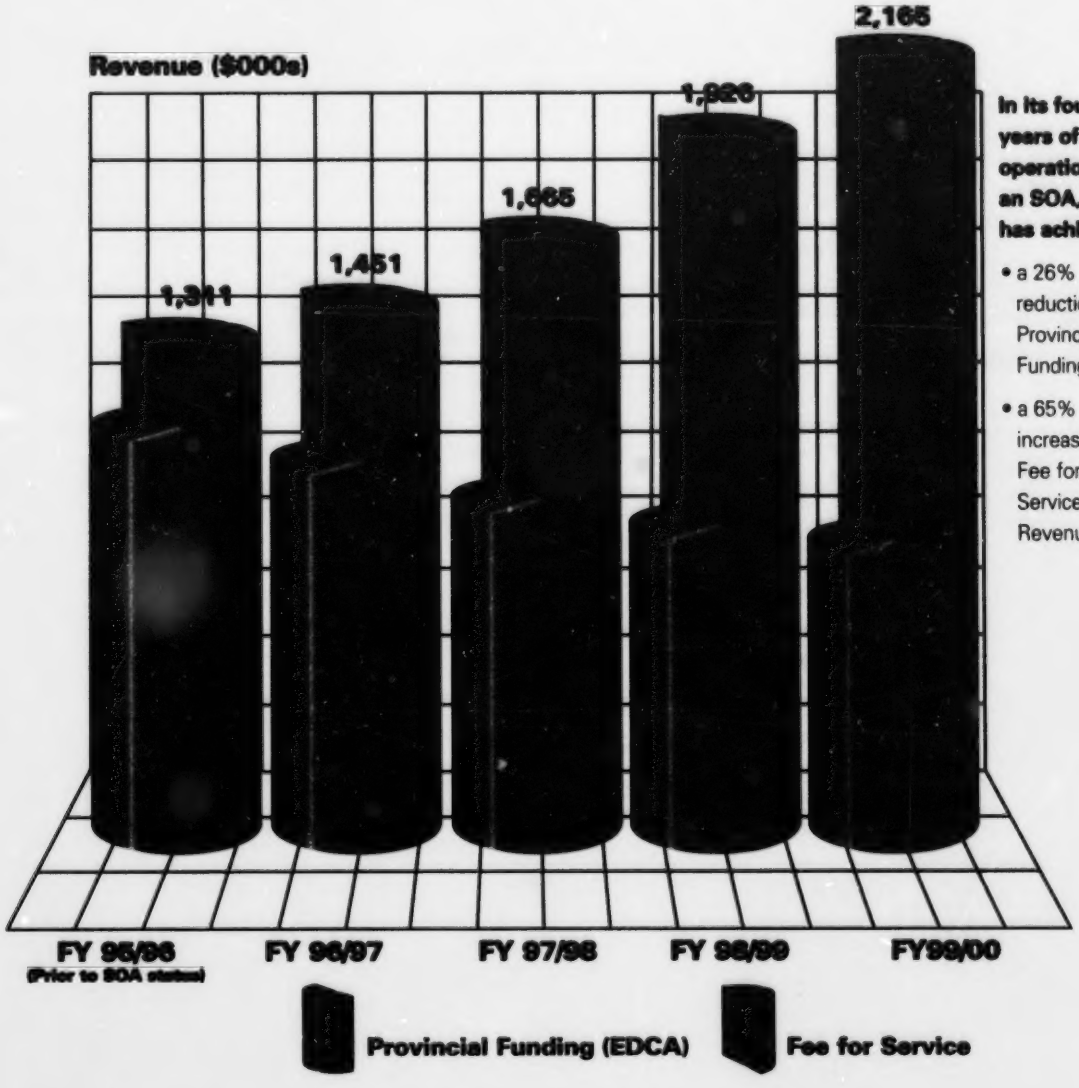
Document Examination Services enjoyed a record year in FY 1999/2000 by expanding its client base and providing more service to established clients. Document Examination Services was the main contributor to ITC's increase in fee for service revenue of $239.

ITC made additional investment in technical infrastructure and professional development during FY 1999/2000. Increases in operating costs in these areas reflect these initiatives.

Salaries and benefits increased by $84 arising primarily from Document Examination Services (in response to an increased level of activity), Engineering (casual staff contributing to Quality Assurance initiatives) and a general increase to move ITC salaries in line with Provincial rates.

| | 1999/2000 | 1998/1999 | Variance |
|---|---|---|---|
| **Revenue** | | | |
| Province of Manitoba | 851 | 887 | (36) |
| Fee for service | 2,165 | 1,926 | 239 |
| Other | 44 | 38 | 6 |
| **Expense** | | | |
| Salaries and benefits | 1,811 | 1,727 | 84 |
| Other expenses | 927 | 935 | (8) |
| **Net Income** | 322 | 189 | 133 |

The results given in this annual report for FY 1999/2000 clearly indicate that ITC has continued to demonstrate sound financial management and a business-like approach to meeting client needs. ITC has also achieved recognition for the value and impact of its economic development activities. With the continued support of all stake-holders, ITC will meet the challenges resulting from an ever-changing business environment.




**In its four years of operation as an SOA, ITC has achieved:**

- a 26% reduction in Provincial Funding
- a 65% increase in Fee for Service Revenue.

Industrial Technology Centre
A Special Operating Agency of Manitoba Industry, Trade and Mines
Unit 12 - 1329 Niakwa Road East
Winnipeg, MB R2J 3T4
Phone: (204) 945-6000
Fax: (204) 945-1784
Toll free: 1-800-728-7933
www.itc.mb.ca

June 23, 2000

For the year ended March 31, 2000

The accompanying financial statements of the Industrial Technology Centre are the responsibility of management and have been prepared by ITC in accordance with generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to June 23, 2000.

Management maintains internal controls designed to indicate responsibility, provide reasonable assurance of the reliability and accuracy of the financial statements and that assets of ITC are properly safeguarded.

The responsibility of the external audit is to express an independent, professional opinion lending assurance and objectivity as to whether the financial statements of ITC are fairly presented in accordance with generally accepted accounting principles. The auditors' report outlines the scope of the audit examination and provides the audit opinion.

On behalf of management

Trevor Cornell
Chief Operating Officer

David Olafson
Manager, Corporate Services

Scarrow & Donald

SCARROW & DONALD
CHARTERED ACCOUNTANTS
100-Five Donald Street
Winnipeg, Canada R3L 2T4
Telephone (204) 982-9800
Fax (204) 474-2886

May 12, 2000

**AUDITORS' REPORT**

**To the Special Operating Agencies Financing Authority:**

We have audited the balance sheet of the Industrial Technology Centre as at March 31, 2000 and the statement of earnings and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2000 and the results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles.

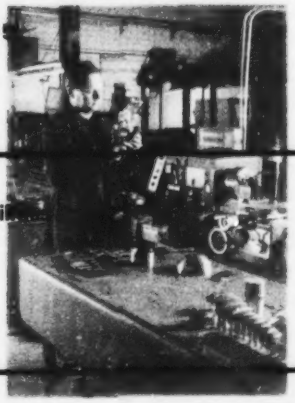
Scarrow & Donald

Chartered Accountants

## Balance Sheet

As at March 31, 2000 (In Thousands)

| Assets | 2000 | 1999 |
|---|---|---|
| **Current** | | |
| Cash and funds on deposit with Minister of Finance net of working capital advance (Note 3) | $ 671 | $ 317 |
| Accounts receivable | 182 | 364 |
| Prepaid expenses | 22 | 19 |
| | 875 | 700 |
| Due from Province of Manitoba (Note 5) | 142 | 142 |
| Capital assets (Notes 2 and 4) | 407 | 382 |
| | $ 1,424 | $ 1,224 |
| **Liabilities** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | $ 272 | $ 397 |
| Severance liability (Note 5) | 168 | 165 |
| | 440 | 562 |
| **Equity** | | |
| Contributed Equity (Note 6) | 62 | 62 |
| Retained Earnings | 922 | 600 |
| | 984 | 662 |
| | $ 1,424 | $ 1,224 |



The accompanying notes are an integral part of these financial statements.

## Statement of Earnings and Retained Earnings

For the year ended March 31, 2000 (In Thousands)

| Revenue | 2000 | 1999 |
|---|---|---|
| Province of Manitoba | $ 851 | $ 887 |
| Fee for service | 2,165 | 1,926 |
| Other | 44 | 38 |
| | 3,060 | 2,851 |
| **Operating expenses** | | |
| Advertising and promotion | 77 | 84 |
| Advisory Board | 6 | - |
| Amortization | 104 | 83 |
| Audit and legal | 8 | 7 |
| Bad debts | 2 | 17 |
| Building maintenance and repair | 80 | 38 |
| Computer | 51 | 115 |
| Equipment rental, maintenance and repair | 44 | 49 |
| Fees and memberships | 16 | 12 |
| Heat and utilities | 29 | 31 |
| Insurance | 18 | 12 |
| Interest on long term debt | - | 1 |
| Laboratory supplies | 64 | 86 |
| Library operations | 27 | 25 |
| Loss on disposal of capital assets | 9 | 3 |
| Office, delivery and telephone | 86 | 74 |
| Professional development | 84 | 65 |
| Purchased services | 41 | 37 |
| Rent and property tax | 110 | 108 |
| Salaries and benefits | 1,811 | 1,727 |
| Travel | 71 | 88 |
| | 2,738 | 2,662 |
| **Net earnings** | 322 | 189 |
| **Retained earnings at beginning of period** | 600 | 411 |
| **Retained earnings at end of period** | $ 922 | $ 600 |

The accompanying notes are an integral part of these financial statements.

## Statement of Cash Flow

For the year ended March 31, 2000 (In Thousands)

Cash derived from (applied to):

| Operating activities | 2000 | 1999 |
|---|---|---|
| Net earnings | $ 322 | $ 189 |
| Items not involving cash | | |
| Amortization | 104 | 83 |
| Loss on disposal of capital assets | 9 | 3 |
| | 435 | 275 |
| Changes in non-cash working capital balances | | |
| Accounts receivable | 182 | (123) |
| Prepaid expenses | (3) | 22 |
| Accounts payable and accrued liabilities | (122) | 209 |
| | 492 | 383 |
| **Investing activities** | | |
| Acquisition of capital assets | (138) | (116) |
| **Financing activities** | | |
| Repayment of long term debt | - | (29) |
| Net increase in cash | 354 | 238 |
| Cash at beginning of period | 317 | 79 |
| Cash at end of period | $ 671 | $ 317 |

The accompanying notes are an integral part of these financial statements.

For the year ended March 31, 2000 (In Thousands)

## 1. Nature of Organization

The Industrial Technology Centre (ITC) was established in 1979 under "Enterprise Manitoba", a joint Federal/Provincial cost-shared funding agreeme.... ITC was managed by the Manitoba Research Council until September 1992 when responsibility for ITC was transferred to the Economic Innovation & Technology Council (EITC). ITC was created as a technical resource for Manitoba industry and government and continues to provide a wide range of technical services to both the private and public sectors. ITC also partners with the National Research Council for delivery of the "Industrial Research Assistance Program" in Manitoba.

Effective April 1, 1996, ITC was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S M., and operates under a charter approved by the Lieutenant Governor in Council. ITC operates as part of Manitoba Industry, Trade and Mines under the general direction of the Deputy Minister.

ITC is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations and has access to a working capital loan. The financial framework allows the Agency to operate in a business-like manner, which is facilitated by SOA status.

A Management Agreement between SOAFA and the Minister of Industry, Trade and Mines assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

An Economic Development Contribution Agreement between ITC and Manitoba Industry, Trade and Mines defines expected public policy benefits generated from ITC's operations.

ITC is bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet its business objectives.

## 2. Significant Accounting Policies

### Basis of reporting

The financial statements are prepared in accordance with generally accepted accounting principles.

### Capital assets

Capital assets are recorded at cost. Amortization, intended to write off the assets over their estimated useful lives, is recorded at the following annual rates and methods:

| | |
|---|---|
| Furniture and fixtures | 20%, declining balance |
| Chemical laboratory equipment | 20%, declining balance |
| Computer equipment and software | 20%, straight-line |

For the year ended March 31, 2000 (In Thousands)

### 3. Working Capital Advance

The Agency has an authorized line of working capital advances up to a maximum of $300. As at March 31, 2000 working capital advances were nil (1999 – nil).

### 4. Capital Assets

| | Cost | Accumulated Amortization | Net Book Value 2000 | Net Book Value 1999 |
|---|---|---|---|---|
| Furniture and fixtures | $ 4 | $ - | $ 4 | $ - |
| Office and lab equipment | 414 | 138 | 276 | 280 |
| Computer equipment and software | 253 | 126 | 127 | 142 |
| | $ 671 | $ 264 | $ 407 | $ 422 |

### 5. Severance Pay Benefits

Effective April 1, 1998, ITC is recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from ITC. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by ITC's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 of $142 was completely offset by a receivable from the Province. There are no terms of repayment of this receivable, and the amount will remain fixed at $142.

### 6. Contributed Equity

A Transfer Agreement between the Special Operating Agencies Financing Authority and Manitoba effected a transfer of capital assets, current assets and current liabilities from Manitoba to SOAFA as at March 31, 1996. Net assets in the amount of $124 were transferred to continue the operations of ITC. ITC has repaid SOAFA the debt portion of $62 (50% of the value of the net assets) and recorded the remaining $62 (50% of the value of the net assets) as Manitoba's equity in SOAFA as related to the Agency's operations.

### 7. Commitment

The Agency has entered into a lease agreement for rental of the facilities at 1329 Niakwa Road East, Winnipeg, Manitoba.

The lease, expiring on March 31, 2002, requires future lease payments as follows:

| | |
|---|---|
| 2001 | $ 84 |
| 2002 | $ 84 |

### 8. Pension Liability

In accordance with the provisions of The Civil Service Superannuation Act, employees of ITC are required to contribute to the Civil Service Superannuation Fund at prescribed rates for defined benefits. ITC matches the employees' contributions to the Fund. Under this Act, ITC has no further pension liability.

For the year ended March 31, 2000 (In Thousands)

### 9. Related Party Transactions

The Agency is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business.

### 10. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

### 11. Public Sector Compensation

Pursuant to The Public Sector Compensation Disclosure Act, the following employees of ITC have received compensation of $50 or more, including benefits and severance payments, in the year ended March 31, 2000.

| | | 2000 | 1999 |
|---|---|---|---|
| Bégin, J. | Engineer 5 | $ 69 | $ 65 |
| [illegible] W. | Eco. Dev. Consultant 3 | 61 | n/a |
| [illegible] | Eco. Dev. Consultant 3 | 58 | n/a |
| [illegible] | Executive Officer 1 | 85 | 85 |
| [illegible] | Eco. Dev. Consultant 3 | 61 | 59 |
| [illegible] | Eco. Dev. Consultant 3 | 61 | 58 |
| [illegible] | Eco. Dev. Consultant 4 | 69 | 64 |
| [illegible] | Financial Officer 5 | 56 | 53 |
| [illegible] | Eco. Dev. Consultant 3 | 61 | 54 |
| [illegible] | Engineer 4 | 61 | 57 |
| [illegible] G. | Engineer 3 | 55 | n/a |
| Kempel, W. | Eco. Dev. Consultant 3 | n/a | 58 |
| Sullivan, V. | Eco. Dev. Consultant 3 | 61 | 58 |

For the year ended March 31, 2000 (In Thousands)

### 3. Working Capital Advance

The Agency has an authorized line of working capital advances up to a maximum of $300. As at March 31, 2000 working capital advances were nil (1999 – nil).

### 4. Capital Assets

| | Cost | Accumulated Amortization | Net Book Value 2000 | Net Book Value 1999 |
|---|---|---|---|---|
| Furniture and fixtures | $ 4 | $ - | $ 4 | $ - |
| Office and lab equipment | 414 | 138 | 276 | 280 |
| Computer equipment and software | 253 | 126 | 127 | 102 |
| | **$ 671** | **$ 264** | **$ 407** | **$ 382** |

### 5. Severance Pay Benefits

Effective April 1, 1998, ITC is recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from ITC. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by ITC's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 of $142 was completely offset by a receivable from the Province. There are no terms of repayment of this receivable, and the amount will remain fixed at $142.

### 6. Contributed Equity

A Transfer Agreement between the Special Operating Agencies Financing Authority and Manitoba effected a transfer of capital assets, current assets and current liabilities from Manitoba to SOAFA as at March 31, 1996. Net assets in the amount of $124 were transferred to continue the operations of ITC. ITC has repaid SOAFA the debt portion of $62 (50% of the value of the net assets) and recorded the remaining $62 (50% of the value of the net assets) as Manitoba's equity in SOAFA as related to the Agency's operations.

### 7. Commitment

The Agency has entered into a lease agreement for rental of the facilities at 1329 Niakwa Road East, Winnipeg, Manitoba.

The lease, expiring on March 31, 2002, requires future lease payments as follows:

| | |
|---|---|
| 2001 | $ 84 |
| 2002 | $ 84 |

### 8. Pension Liability

In accordance with the provisions of The Civil Service Superannuation Act, employees of ITC are required to contribute to the Civil Service Superannuation Fund at prescribed rates for defined benefits. ITC matches the employees' contributions to the Fund. Under this Act, ITC has no further pension liability.

### 9. Related Party Transactions

The Agency is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business.

### 10. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

### 11. Public Sector Compensation

Pursuant to The Public Sector Compensation Disclosure Act, the following employees of ITC have received compensation of $50 or more, including benefits and severance payments, in the year ended March 31, 2000.

| | | 2000 | 1999 |
|---|---|---|---|
| Begin, J. | Engineer 5 | $ 69 | $ 65 |
| **Boskwick, W.** | Eco. Dev. Consultant 3 | 61 | n/a |
| **Cattani, J.** | Eco. Dev. Consultant 3 | 58 | n/a |
| **Cornell, T.** | Executive Officer 1 | 85 | 85 |
| **de Graaf, P.** | Eco. Dev. Consultant 3 | 61 | 59 |
| **Deley, D.** | Eco. Dev. Consultant 3 | 61 | 58 |
| **Herwig, W.** | Eco. Dev. Consultant 4 | 69 | 64 |
| **Olafson, D.** | Financial Officer 5 | 56 | 53 |
| **Persad, K.** | Eco. Dev. Consultant 3 | 61 | 54 |
| **Pizey, G.** | Engineer 4 | 61 | 57 |
| **Pozzobon, G.** | Engineer 3 | 55 | n/a |
| **Rempel, W.** | Eco. Dev. Consultant 3 | n/a | 58 |
| Sullivan, V. | Eco. Dev. Consultant 3 | 61 | 58 |

## Operating Results ($000s)

| | 1999/2000 Actual | 1999/2000 Budget | Variance |
|---|---|---|---|
| **Revenue** | | | |
| Province of Manitoba | $ 851 | $ 851 | - |
| Fee for service | 2,165 | 1,887 | 278 |
| Other | 44 | 15 | 29 |
| **Expenses** | | | |
| Salaries and benefits | 1,811 | 1,847 | (36) |
| Other expenses | 927 | 864 | 63 |
| **Net income** | **$ 322** | **$ 42** | **$ 280** |

Fee for service contracts exceeded budget by $278, primarily due to increases in Document Examination Services.

Activity in this area was higher than expected resulting from an expanded client base and from delivering more service to established clients.

Salaries and benefits were lower than budget primarily due to vacancies in the planned staff complement.

**Expenses ($000s)**

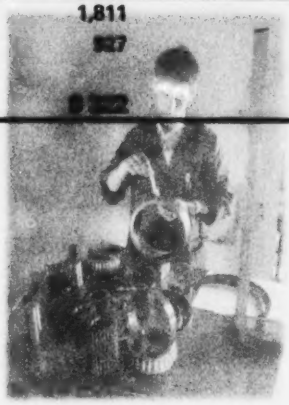
| | 1999/2000 Actual | 1999/2000 Budget | Variance |
|---|---|---|---|
| Advertising and promotion | $ 77 | $ 56 | $ 21 |
| Advisory Board | 6 | - | 6 |
| Amortization | 104 | 133 | (29) |
| Audit and legal | 8 | 7 | 1 |
| Bad debts | 2 | 11 | (9) |
| Building maintenance and repair | 80 | 35 | 45 |
| Computer | 51 | 108 | (57) |
| Equipment rental, maintenance and repair | 44 | 24 | 20 |
| Fees and memberships | 16 | 18 | (2) |
| Heat and utilities | 29 | 31 | (2) |
| Insurance | 18 | 12 | 6 |
| Laboratory supplies | 64 | 55 | 9 |
| Library operations | 27 | 22 | 5 |
| Loss on disposal | 9 | 10 | (1) |
| Office, delivery and telephone | 86 | 58 | 28 |
| Professional development | 84 | 58 | 26 |
| Purchased services | 41 | 40 | 1 |
| Rent and property tax | 110 | 111 | (1) |
| Travel | 71 | 75 | (4) |
| **Total** | **$ 927** | **$ 864** | **$ 63** |

ITC enjoyed a record year in fee for service revenue. This increased level of activity resulted in an increased consumption of resources as compared to budget.

ITC made additional investment in technical infrastructure and professional development during FY 1999 2000. Increases in operating costs in these areas reflect these initiatives.

**Operating Results ($000s)**

| | 1999/2000 Actual | 1999/2000 Budget | Variance |
|---|---|---|---|
| **Revenue** | | | |
| Province of Manitoba | $ 851 | $ 851 | - |
| Fee for service | 2,165 | 1,887 | 278 |
| Other | 44 | 15 | 29 |
| **Expenses** | | | |
| Salaries and benefits | 1,811 | 1,847 | (36) |
| Other expenses | [illegible] | 864 | 63 |
| **Net income** | [illegible] | $ 42 | $ 280 |



Fee for service contracts exceeded budget by $278, primarily due to increases in Document Examination Services.

Activity in this area was higher than expected resulting from an expanded client base and from delivering more service to established clients.

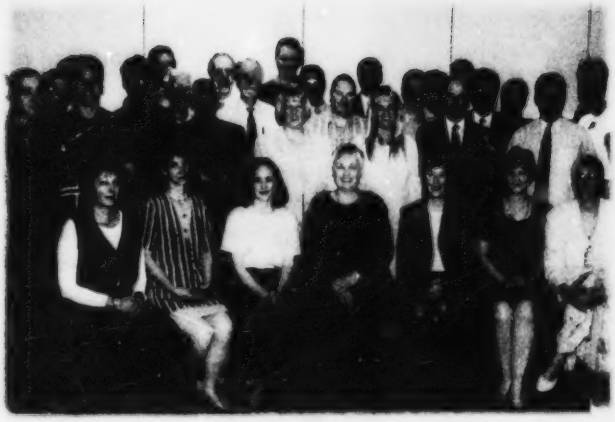
Salaries and benefits were lower than budget primarily due to vacancies in the planned staff complement.

**Expenses ($000s)**

| | 1999/2000 Actual | 1999/2000 Budget | Variance |
|---|---|---|---|
| Advertising and promotion | $ 77 | $ 56 | $ 21 |
| Advisory Board | 6 | - | 6 |
| Amortization | 104 | 133 | (29) |
| Audit and legal | 8 | 7 | 1 |
| Bad debts | 2 | 11 | (9) |
| Building maintenance and repair | 80 | 35 | 45 |
| Computer | 51 | 108 | (57) |
| Equipment rental, maintenance and repair | 44 | 24 | 20 |
| Fees and memberships | | 18 | (2) |
| Heat and utilities | | 31 | (2) |
| Insurance | | 12 | 6 |
| Laboratory supplies | | 55 | 9 |
| Library operations | | 22 | 5 |
| Loss on disposal | | 10 | (1) |
| Office, delivery and telephone | | 58 | 28 |
| Professional development | | 58 | 26 |
| Purchased services | | 40 | 1 |
| Rent and property tax | | 111 | (1) |
| Travel | | 75 | (4) |
| **Total** | | **$ 864** | **$ 63** |

ITC enjoyed a record year in fee for service revenue. This increased level of activity resulted in an increased consumption of resources as compared to budget.

ITC made additional investment in technical infrastructure and professional development during FY 1999/2000. Increases in operating costs in these areas reflect these initiatives.



Joe Bégin (B.Sc. (A.E.), M.Eng., P.Eng.)
William Boskwick (C.E.T.)
Connie Calburean (M.Sc. (M.E.))
Joe Cattani (B.Sc.)
Jacqueline Chartrand (University)
Diane Chicheluk (University)
Trevor Cornell (B.Sc. (Hon, M.E.), C.Eng., P.Eng.)
Betty Dearth (M.I.L.S.)
Pete de Graaf (B.Sc. (M.E.), P.Eng.)
Dennis Deley (B.Sc. (M.E.), P.Eng.)
Danny Fredette (Journeyman Machinist)
Wolfgang Herwig (B.Sc. (M.E.), P.Eng.)
Dale Kellington (B.Sc.)
Brad Kempf (High School)
Dragomir Kojic (C.E.T.)
Shawna Levesque (Community College)
Deborah McCulloch (B.Sc.)
Stephen McKendry-Smith (Dip. Biological Tech.)
Beverly McNeill (Community College)
David Olafson (B.Sc., B. Comm. (Hon), CGA)
Lincoln Oree (C.E.T.)
Khemraj (Kim) Persad (B.Sc. (E.E.), P.Eng.)
Tim Peters (University)
Gord Pizey (B.Sc. (M.E.), M.Sc, P.Eng.)
Gerry Pozzobon (B.Sc. (M.E.), M.Sc, P.Eng.)
Judy Quinton (B.Sc.)
Tony Robak (Community College)
David Russell (C.E.T.)
Vivian Sullivan (B.Sc. (Agriculture), P.Ag.)
Nigel Wooler (South Winnipeg Technical Centre)
Qiang Xu (B.Sc., M.Sc., Ph.D.)

Casual
Peter Bernert (B.A., CQT)
Andrew Livingston (Agriculture Diploma)
Sharon Ratushniak (Community College)

## *Advisory Board* (Appendix 3)

**Hugh Eliasson**
(Chairperson)
Deputy Minister
Industry, Trade and Mines
352 Legislative Building
Winnipeg, Manitoba R3C 0V8

**Don Orchard**
Farmer
P.O. Box 65
Miami, Manitoba R0G 1H0

**Bertha Penner**
Staff Development Co-ordinator
Manitoba Health, District Ten
P.O. Box 89
Virden, Manitoba R0M 2C0

**Paul Soubry**
Chair, Board of Governors,
University of Manitoba;
Chair, Victoria Hospital; and
President, Soubry Enterprises Ltd.
63 Ridgedale Crescent
Winnipeg, Manitoba R3R 0B2

**Trevor Cornell**
Chief Operating Officer
Industrial Technology Centre
Unit 12 -1329 Niakwa Road East
Winnipeg, Manitoba R2J 3T4

**Stephen McKendry-Smith**
(Staff Representative)
Document Examination Analyst
Industrial Technology Centre
Unit 12 - 1329 Niakwa Road East
Winnipeg, Manitoba R2J 3T4